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GOVERNMENT AND ADMINISTRATION

General Election Announced

A general election is to be held in the United Kingdom on 3 May.

Following the defeat of the Government in the House of Commons on an Opposition motion of no-confidence on 28 March (the voting was 311 to 310, an Opposition majority of one), a general election is to be held on 3 May. In order to complete essential financial and other business, Parliament sat until 4 April. Dissolution took place on 7 April. The state of the parties in the House of Commons at the time of dissolution is given in the following article. the general election will take place concurrently with the district council elections in England and Wales; the legislation necessary to facilitate this – the Representation of the People Act 1979 – was enacted before Parliament was dissolved.

The new Parliament will be summoned on 9 May to elect the Speaker and to swear in members. The State Opening will be on 15 May when the new Government's programme will be announced in the Queen's Speech.

State of the Parties in Parliament

The state of the parties in the House of Commons at the time of the dissolution of Parliament is shown below, together with details of the last by-election of the old Parliament.

The state of the parties in the House of Commons at the time of dissolution on 7 April was as follows:

Labour	305
Conservative	280
Liberal	14
Scottish National	11
Official Unionist (Northern Ireland)	7
Plaid Cymru (Welsh Nationalist)	3
Independent Unionists (Northern Ireland)	2
Scottish Labour	2
Democratic Unionist (Northern Ireland)	1
Independent (Northern Ireland)	1
Social Democratic and Labour (Northern Ireland)	1
Vacant seats	4
TOTAL	631

The vacant seats arose from the deaths of Mr Reginald Maudling, Conservative MP for Chipping Barnet; of Mr Thomas Swain, Labour MP for Derbyshire, North East; of Sir Alfred Broughton, Labour MP for Batley and Morley; and of Mr Airey Neave, Conservative MP for Abingdon. Mr Neave, who was Opposition spokesman on Northern Ireland, was killed in a car bomb explosion at Westminster on 30 March (see footnote, p 87).

The four remaining seats were held by the Speaker of the House of Commons and his three deputies.

By-election Result

The Liberal Party won the seat at Liverpool, Edge Hill, in a parliamentary by-election on 29 March. The seat was formerly held by the Labour MP, Sir Arthur Irvine, who died in December 1978. The Liberal candidate, Mr David Alton, won by a majority of 8,133.

The results were as follows:

D. Alton (Liberal)	12,945
R. Wareing (Labour)	4,812
N. Ward (Conservative)	1,906

Four other candidates each received less than 500 votes; 56·6 per cent of the electorate voted.

Direct Elections to the European Assembly

Arrangements for direct elections to the European Assembly to take place in Britain on 7 June were approved by Parliament in March.[1] This article gives some background information on the Assembly and outlines the procedures which will be used for the elections in Britain.

The European Assembly

The new directly elected European Assembly will be composed of 410 members sitting according to

[1] *Hansard*, 14.3.79, cols 594-620. *Hansard, HL*, 8.3.79, cols 323-34.

party affiliation and not nationality. Britain, together with the three other large member states (France, the Federal Republic of Germany and Italy) will have 81 seats, compared with its share of 36 seats out of a total of 198 in the present nominated Assembly.

The Assembly is one of the four principal institutions of the Community, the other three being the Council of Ministers, the Commission and the Court of Justice. It meets 12 times a year in public in Luxembourg or Strasbourg, and has 12 standing committees which meet in private. It is consulted on, and debates, all major policy issues of the Community. Its members may question the Council of Ministers and the Commission, and have the power to dismiss the Commission as a whole by a two-thirds majority. The Assembly may reject in its entirety the Community's draft annual budget as presented by the Commission and approved by the Council. A formal conciliation procedure has been adopted for use in the event of disagreement between the Assembly and the Council of Ministers on matters with major budgetary or financial implications.

At present there are six political groupings within the Assembly which link members from different countries with a similar political outlook. The six groups are Socialists, Christian Democrats, Liberals and Democrats, European Conservatives, European Progressive Democrats, and Communists and Allies; there is also a small non-attached group.

The European Assembly Elections Act 1978 (see p 40 and p 276, 1978) states that no treaty or international agreement which provides for any increase in the powers of the Assembly may be ratified by Britain unless it has been approved by an Act of Parliament.

Electoral Arrangements

Of the 81 representatives to be elected in the United Kingdom, 66 will be chosen in England, 8 in Scotland, 4 in Wales and 3 in Northern Ireland. In England, Scotland and Wales the election will be held on the simple majority system in single-member constituencies consisting of groupings of parliamentary constituencies. The procedures will be broadly similar to those for parliamentary elections[1] with some amendment to take account of the much larger constituencies. The same polling stations will be used, and the procedures in the station will be the same. In Northern Ireland the three representatives will be elected in one constituency on the single transferable vote system of proportional representation, the pattern of local government elections. The cost of the elections in Britain will be £11 million.

Constituencies and Electorates

The composition of the European constituencies was drawn up by the Boundary Commissions in England, Scotland and Wales (see p 17); each constituency is made up of between seven and nine parliamentary constituencies. With a total British electorate of 41·5 million, the 66 European constituencies in England have an average electorate of 524,000, the eight Scottish constituencies an average of 480,000, the four Welsh constituencies an average of 521,000; the size of the electorate in Northern Ireland is 1 million. (The average size of a parliamentary constituency is about 65,000.)

People able to vote in the European elections are those entitled to vote in parliamentary elections, who comprise British subjects and citizens of the Irish Republic resident in the United Kingdom provided that they are 18 years old and not legally disqualified from voting, together with certain additions such as peers who are members of the House of Lords. To be eligible to vote, an elector must be registered on his or her constituency's electoral register which is compiled annually. Voting in the European elections in Britain, as in all types of elections, is voluntary.

The only people not resident in the United Kingdom who are entitled to be registered as electors are 'service voters'. This group includes embassy and consular officials, members of the armed forces and staff of the British Council, together with their wives or husbands. These voters are registered by making individual 'service declarations' and sending them to the registration officer of their home constituency.

British subjects who are on the electoral register and who are temporarily abroad on business may vote by proxy if they cannot return in time for polling day. People away from home on holiday cannot vote. British subjects living abroad, other than service voters, are not entitled to be registered and therefore cannot vote.

Candidates

The qualifications for those eligible to stand for election to the Assembly are also broadly the same as for parliamentary elections. With certain exceptions any man or woman who is a British subject or a citizen of the Irish Republic, who is not disqualified from voting and has reached the age of 21, may stand as a candidate. For the European elections this includes peers and clergymen of the Churches of England, Scotland and Ireland and the Roman Catholic Church (who may not stand in parliamentary elections).

A candidate must be nominated by 30 individual electors, and is required to make a deposit of £600 which is returnable if he or she achieves, in England, Scotland and Wales, 12½ per cent of the valid votes cast in the constituency contested, and one-quarter of the electoral quota at any stage in the count during the single transferable vote election in Northern Ireland.

The Election Campaign

The regulations for the conduct of the European Assembly elections provide for a longer period for the formal stages of the campaign than at parliamentary elections. Publication of notice will be on 2 May, and 12 May will be the closing date for the delivery of nomination papers. The election expenses for each candidate can be up to a maximum of £5,000 plus 2p per entry on the electoral register. In addition, during the election campaign the candidate will be able to claim the same entitlements, covering such items as free postage and the use of meeting halls, as in parliamentary elections.

The Counting of Votes

Polling day in Britain, as in Denmark, the Irish

[1] For details, see COI reference pamphlet *Parliamentary Elections in Britain*, R5513/78.

Republic and the Netherlands, will be on a Thursday, the traditional day for elections in Britain. However, the other member states will not be voting until Sunday. Consequently, in line with a decision by the Council of Ministers, counting in Britain will not begin until Sunday 10 June after voting has been completed throughout the Community. In order to ensure that there is no risk of malpractice between the close of the poll and the count, there will be a separate verification stage which will take place in all constituencies after the close of the poll.

Northern Ireland

The recommendations of the report of the Bennett Committee on police interrogation procedures in Northern Ireland that closed circuit television should be installed in interview rooms and that terrorist suspects should have access to a solicitor after 48 hours in custody have been immediately accepted by the Government. The report points out that measures to control the movement of prisoners and to supervise interviews already go further in the Royal Ulster Constabulary than in any other police force in the United Kingdom.

The Government has announced its response to the report by Lord Shackleton on the operation of the prevention of terrorism legislation and with one exception has accepted all of his recommendations wholly or in part.

INQUIRY INTO POLICE INTERROGATION PROCEDURES

The Government has accepted the broad conclusions of the committee set up to examine police procedures and practice in Northern Ireland relating to the interrogation of persons suspected of scheduled offences and accepts immediately recommendations relating to closed circuit television in interview rooms and terrorist suspects' right to legal advice after 48 hours in police custody. In a statement in the House of Commons on 16 March on the publication of the committee's report (*Report of the Committee of Inquiry into Police Interrogation Procedures in Northern Ireland*, Cmnd 7497, HMSO £2·50, ISBN 0 10 174970 8), the Secretary of State for Northern Ireland, Mr Roy Mason, said that the committee's recommendations for improvement in the supervisory, medical and other arrangements relating to interrogation were designed 'to ensure as far as possible that ill treatment of prisoners cannot take place' (*Hansard*, cols 961-84). He hoped to announce within two or three months the precise action to be taken on all the detailed recommendations. Mr Mason said that the committee recognised that no other police force in the United Kingdom was called on to deal with so much violent crime in such unpromising circumstances as the Royal Ulster Constabulary; that the normal methods of crime detection were hampered by special difficulties; and that there was a co-ordinated and extensive campaign to discredit the force and its officers. He paid tribute to the force's courage and dedication and was confident that action on the committee's recommendations would help to enhance its reputation and effectiveness.

Bennett Committee's Report

The committee of inquiry under the chairmanship of Judge H. G. Bennett, QC, was set up by the Secretary of State for Northern Ireland on 16 June 1978 following the publication of a report by Amnesty International alleging maltreatment of suspected terrorists by the Royal Ulster Constabulary (see p 245, 1978). The committee found that although measures to control the movements of prisoners and supervise interviews 'go further in the Royal Ulster Constabulary than in any other police force in the United Kingdom' there was still scope for improvement in supervision and control. The essential feature of interrogation was that questioning of a suspect by police officers takes place in private. There were a number of good reasons why suspects would confess to crime in the right atmosphere but privacy also created the opportunity for unfair and violent means and methods to be used. In the course of its inquiry the committee obtained and examined certain medical evidence but the report makes it clear that this evidence has not been tested and elucidated by critical cross-examination. The committee concluded, however, that there were cases in which injuries, whatever their precise cause, were not self-inflicted and were sustained in police custody. There was no suggestion that this indicated a regular or widespread practice, and the committee acknowledged that it did not have the police officers' account in all the cases it examined. Arrangements are to be made for the committee's material in these cases to be considered by the independent Director of Public Prosecutions for Northern Ireland.

Conduct of Interviews

Apart from the recommendation which has been accepted by the Government that closed circuit television should be installed in, and viewing lenses placed in the doors of, all interview rooms, the report makes recommendations for a code of conduct to be drawn up to cover interviewing. After interview a prisoner should be asked whether he has any complaints and be given the opportunity of a medical examination; suspects should be offered a medical examination once a day.

Medical Examinations

The committee points out the importance of medical officers in detecting and corroborating complaints of ill-treatment. It recommends that prisoners wishing to have a private medical examination should continue as at present to be obliged to call first on their own general practitioner but further arrangements should be made for other doctors to perform such examinations if necessary.

Access to Solicitors

The committee recommends – and the Government

has accepted the recommendation – that prisoners should have an unconditional right of access to a solicitor after 48 hours in custody and every 48 hours thereafter. (At present solicitors are not admitted to see prisoners arrested under the emergency provisions before they are charged.) When a child or young person is interviewed, provision should be made for the attendance of parents.

Complaints Procedure

In discussing the procedures for examining and investigating complaints against police officers, the committee accepts that, whatever steps are taken to improve supervision, complaints are still likely to occur. It acknowledges that allegations of cruelty during custody are part of the concerted propaganda campaign against the Royal Ulster Constabulary; that some suspects allege ill-treatment as an excuse for having given information to the police during questioning and that suspects make complaints as a prelude to their defence at a court of trial. The report states that regulations governing the investigation of complaints are comprehensive and that investigating officers carry out their duties promptly and painstakingly. But in the absence of corroborative forensic evidence or evidence from medical officers or uniformed officers, the investigator is often left with conflicting statements from the interrogator and the complainant. The committee considers the case for independent investigators but concludes that the police are best fitted to carry out such investigations. It recommends, however, that where a complaint causes public disquiet or where there is medical evidence to corroborate an allegation of serious assault, the Chief Constable should request the chief officer of another police force to provide a senior officer to investigate the complaint. The report states that it should not be assumed that consideration of criminal proceedings against a police officer must automatically rule out disciplinary proceedings. Complainants should be notified every three months of the progress of their complaint by the authority with whom it rests. The committee concludes that responsibility for considering the prosecution of police officers should remain with the Director of Public Prosecutions and makes a number of detailed recommendations on his role.

Police Authority and Police Complaints Board

The committee considered the role of the Police Authority and the Police Complaints Board in ensuring that complaints are promptly and effectively investigated. [The Police Authority, which is representative of the community and appointed by the Secretary of State, is responsible for maintaining an adequate and efficient police force. The Police Complaints Board is an independent body which receives copies of complaints against the police. Its function is to decide whether or not it agrees with the Chief Constable's decision to bring or not to bring disciplinary charges.] The report says that the Chief Constable should recognise the Authority's commitment to allaying public anxiety and pay careful regard to any representation made to him by the Authority. The Police Complaints Board should be informed of all disciplinary action arising from the investigation of complaints and its requests for information should be met.

PREVENTION OF TERRORISM LEGISLATION

The Government's response to the recommendations made by Lord Shackleton on the operation of the Prevention of Terrorism (Temporary Provisions) Acts 1974 and 1976 (see pp 323-4, 1978) was announced by the Home Secretary, Mr Merlyn Rees, on 21 March, during a debate on an Order to extend the legislation for a further year (*Hansard*, cols 1505-624). Mr Rees said that Lord Shackleton made a number of recommendations aimed primarily at ameliorating the effects of the legislation on civil liberties. With one exception the Government accepted all the recommendations wholly or in part. Unpleasant as the powers contained in the legislation were, they were necessary to prevent the far more serious consequences of terrorist violence. These powers were not taken lightly and were not designed to stop legitimate political activity.

Detention at Ports

Lord Shackleton recommended that a person should not be liable to detention at a port for more than seven days and that the police should have power to detain a person under their own authority for only 48 hours, the authority of the Secretary of State being required for an extension of detention of up to a further five days. (At present a person may be detained at a port for seven days on the authority of the police, the Home Secretary may then grant an extension of detention and at the end of this period the police may hold the person for a further five days.) The Home Secretary has accepted these recommendations and made an Order to implement them.

Exclusion Orders

The legislation gives the Home Secretary power to exclude from Great Britain or, in certain circumstances, from the United Kingdom as a whole, a person whom he believes is involved in terrorism connected with Northern Ireland. Lord Shackleton recommended that consideration should be given to a review of exclusion orders with a view to seeing whether any might safely be revoked, and the Home Secretary has accepted this recommendation. He has decided that all cases should so far as is possible be reviewed three years after the order was made provided the excluded person wants to have his order reviewed. Lord Shackleton also recommended that financial assistance should be given to the friends and relatives of excluded persons for the purpose of making visits. The Home Secretary has decided to examine the possibility of providing some measure of financial help to the immediate family of an excluded person to enable them to be re-united with him in his new home, if they so wish.

Detention

Three of Lord Shackleton's recommendations were aimed at ameliorating the effects of detention. These were: that thought should be given to improvements in such matters as diet, exercise and comfort; that there should be greater uniformity of practice in notifying detained people of their rights; and that steps should be taken to ensure that the fullest possible records of interviews be kept. The Home Secretary considers that these recommendations are sensible and humane and intends to offer guidance

to Chief Officers of Police about how best to implement them.

Statistics

The Home Secretary has considered Lord Shackleton's remarks about statistics and has decided that in future they should be published quarterly.

Information about Terrorism

The Home Secretary has not accepted the recommendation that the section of the Act which makes it an offence to withhold information about acts of terrorism should be allowed to lapse. This section was introduced into the 1976 Act and the Home Secretary considers it is too soon to judge its full value. Moreover, the police have recently made use of this section in connection with investigations into bomb incidents. Mr Rees believes that it would be wrong to deprive them of this power in the face of a renewal of terrorist attacks in Great Britain.[1]

Shorter Notes

THE CIVIL LIST

The amounts payable from central funds to the royal family in the calendar years 1978 and 1979 have been set out by the Treasury (*Hansard*, 30.3.79, written answers, cols 377-8). The funds are made available under the Civil List Acts to provide for expenses incurred by members of the royal family in the course of their official duties. Increases for 1979 are directly linked to the increased costs of carrying out these duties. For 1979 the Queen's Civil List is £2,134,200 (compared with £1,960,200 in 1978). The amounts for other members of the royal family for 1979 are as follows: Queen Elizabeth, the Queen Mother, £200,000; the Duke of Edinburgh, £98,000; Princess Anne, £63,000; Prince Andrew, £20,000; Princess Margaret, £64,000; Princess Alice, Duchess of Gloucester, £30,000; the Duke of Gloucester, £57,000; the Duke of Kent, £75,000; Princess Alexandra, £72,000, and Princess Alice, Countess of Athlone, £8,000. The sum total of these amounts is £2,821,200, compared with the 1978 total of £2,560,462.

The amounts shown combine sums directly payable from the Consolidated Fund with supplements made by the Royal Trustees, which are subject to House of Commons approval. No special provision is made for the Queen's eldest son, Prince Charles, who is entitled to the net revenues of the Duchy of Cornwall, though at present he surrenders half to the nation. The next eldest son, Prince Andrew, reached the age of 18 in February 1978 and became eligible for a sum of £20,000 in a full year. However, as he is still at school and not undertaking public engagements, he will receive only £1,000 of his allocation for 1979, the balance to be accumulated by the Royal Trustees. The sums payable in respect of the last four members of the royal family listed above (£212,000), are matched by payments made into the Consolidated Fund by the Queen.

[1] On 30 March the Opposition spokesman on Northern Ireland, Mr Airey Neave, was killed at Westminster when a bomb exploded in his car. Responsibility was subsequently claimed by the Irish National Liberation Army, a terrorist organisation which is thought to support the aims of the Irish Republican Socialist Party.

EXTERNAL AFFAIRS AND DEFENCE

The European Community

Among the decisions reached at a meeting of the European Council in Paris on 12 and 13 March were an agreement to reduce oil consumption in the member states during the coming year and the formal establishment of the European Monetary System. These and other developments in the Community during the last few months are summarised in this article.

EUROPEAN COUNCIL

The main topics discussed by the heads of State or Government at the European Council were economic convergence, the Common Agricultural Policy, employment and social policy, and energy.

A document summarising the conclusions of the Presidency of the Council notes that, although there had been several positive factors, 'the economic and social situation in the Community remained unsatisfactory in several respects'. Improvements had been registered by most member countries in their rates of inflation and economic growth and in their balances of payments, but the differences in economic performance between the various countries would have to be reduced further. As regards the trading position, the document notes the likely deterioration in the world oil situation and the serious and continuing deficit in the Community's trade with Japan.

On economic and social policy, the Council acknowledged that priority should be given to the employment situation which continued to be 'a major anxiety'. It confirmed the importance it attached to improving youth employment and its wish that the new aids from the Social Fund in this area (see p 89) be kept under review. It also asked for studies to be made on various measures to improve employment, including the development of staggered training schemes, limiting the systematic use of overtime and improving prospects for the employment of women.

The Presidency document states that 'the current state of the world oil market confirms the urgent need to implement the decisions taken by the Community to reduce its dependence on imported oil and contribute to an improved world energy balance'. Member states had renewed the undertaking given in 1978 (see p 282, 1978) to reduce the level of the Community's dependence on energy imports to 50 per cent by 1985. In 1979 the Community would pursue a policy designed to reduce oil consumption to 500 million tonnes, about 25 million tonnes (or 5 per cent) less than previously estimated.

The Community and the member states would 'step up their efforts to make the best possible use of Community hydrocarbon and coal resources', and the use of other sources of energy should be further developed. New measures taken to conserve energy should not adversely affect the level of economic activity in the member states and would therefore be aimed particularly at the consumption of energy by government departments and public authorities, heating of business and residential premises and at a more rational use of energy by motor vehicles.

Describing the establishment of the European Monetary System (EMS)[1] as 'an important contribution towards the development of stable and lasting growth in the Community', the document states that the System should be supported by 'increased convergence of the economic policies and performances of the member states'. It notes that achievement of this aim is primarily the responsibility of national governments but that Community policies should play a supporting role.

The Council confirmed the importance it attached to the Common Agricultural Policy 'which is one of the achievements in the construction of Europe', but noted that 'growing imbalances on agricultural markets have led to an increase in expenditure on agricultural support'. It considered that 'a prices policy suited to the situation and a search for measures adapted to each type of production are likely to correct the imbalances which have become apparent on certain markets and to avoid the build-up of surpluses'.

Prime Minister's Statement

In a statement to the House of Commons (*Hansard*, 14.3.79, cols 453-4) the Prime Minister, Mr James Callaghan, said that the Council's view on employment and social policy had been that specific measures were needed to reduce unemployment in addition to the beneficial effects that would result from faster economic growth. Ministers of labour and social affairs had been asked to work closely with trade unions and employers on further co-ordinated action in a variety of areas to ease unemployment, and to report on these matters to the next Council meeting.

Mr Callaghan said that he had asked that finance ministers should examine 'the proposition that

[1]The Council announced that the EMS would start on 13 March as soon as the exchange markets opened. (For Britain's position in the EMS see pp 415-16, 1978.)

economic convergence between member states would be strengthened if their net contributions to the budget were more closely related to some objective criteria'. These ministers had been requested by the Council 'to examine in depth how all the policies of the Community taken as a whole could be developed to make a greater contribution to achieving economic convergence' and to report to the next Council.

'These discussions on energy, employment and the social situation in the Community', said Mr Callaghan, 'led me to put forward the view that the Community needed to make a reassessment of its own social and economic priorities and that there was room for considerable improvement in the way the Community allocates its expenditure especially as this expenditure will, within the next few years, reach the limit of the resources available to the Community.' Action was necessary to reduce 'wasteful and unnecessary' expenditure on accumulating food surpluses which could only be disposed of at considerable loss and which disturbed trade relations with other countries.

ECONOMIC POLICY

Iron and Steel

An agreement was made at a Council meeting on 18 and 19 December 1978 to renew for a further year the Community's internal anti-crisis measures in the iron and steel sector and the arrangements for regulating imports from third countries. These measures were introduced in 1978 (see pp 8 and 285, 1978) in response to the serious problems affecting these industries throughout the Community. The Council also adopted certain general principles for granting aid to the steel industry at the same meeting.

Regional Development Fund

Two sets of grants to Britain under the Regional Development Fund have been announced by the Commission. The first, of £56 million, was announced in December 1978 and brought grants to Britain under the Fund for 1978 to £100 million. A second allocation of £13 million was announced in January. Grants under the Fund are paid to the British Government, and are intended to enable a larger volume of regional industrial development, and associated investment in infrastructure, to take place than if member states' governments had to rely on national resources alone.

SOCIAL POLICY

At a Council meeting on 27 November 1978 ministers adopted two measures relating to social policy. The first was a directive on the equal treatment of men and women in social security, in which member states have six years to eliminate differences in treatment between men and women in most areas of social security provision. Pension ages and child benefits are excluded, as are increases of long-term benefits for a dependent spouse.

The second measure concerns an agreement on a new category of aid under the European Social Fund to promote employment of young people. The new aid will be available to assist schemes for recruitment subsidies for unemployed young people and will support job creation programmes of public benefit, excluding jobs in central government or on the ordinary establishments of local authorities.

POLITICAL CO-OPERATION

A political co-operation meeting was held on 12 March, at which foreign ministers discussed current problems in the Middle East, Africa and in Indo-China. No formal statements were made at the meeting, but afterwards a press conference was given by the French Foreign Minister, M. Francois-Poincet, speaking as the Presidency. He said it was premature at that time to express a view on the Middle East negotiations (see p 91-2), but he recalled the Community statement on the Middle East of 29 June 1977 (see p 266, 1977), which was still entirely valid and relevant to the situation. Ministers agreed that an international effort was needed to help Rwanda and Burundi which were in serious difficulties because the fighting between Tanzania and Uganda had hindered the normal deliveries of their food supplies. Community and bilateral funds would be used to charter several planes to transport supplies to these two countries.

On Rhodesia, Ministers reiterated their disapproval of the elections due to be held on 29 April and declared their intention of maintaining United Nations sanctions. They expressed the hope that renewed negotiations would take place between the parties concerned, and praised the efforts of Britain and the United States in the search for a settlement.

The Commonwealth

Britain's commitment to the Commonwealth was reaffirmed by both Government and Opposition spokesmen in statements to Parliament on Commonwealth Day, 12 March. They also paid tribute to the Commonwealth's role in fostering international co-operation, the most recent example of which was the first Commonwealth Ministerial Meeting on Industrial Co-operation held in Bangalore, India, from 5 to 7 March.

Foreign Secretary's Statement

In answer to a written question in the House of Commons (*Hansard*, cols 82-3), the Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, said that the British Government attached great importance to membership of the Commonwealth and that it would continue to play its full part in supporting and encouraging Commonwealth development. He pointed out that the Commonwealth brought together 40 developed and developing countries comprising one-quarter of the world's population and that, during the past year, it had brought about a dialogue between ministers on such subjects as finance (see pp 356-8, 1978), industry (see p 90) and the creation of a common fund to help reduce fluctuations in commodity prices (see pp 169-71, 1978). On a practical level Commonwealth countries had 'co-operated actively in

the fields of development, education, health, youth, science and technology, law and, at a non-governmental level, in a large number of other fields'. Commonwealth Day had been observed in schools throughout Britain and a special religious service held in Westminster Abbey had been attended by the Queen, British Government ministers, the Commonwealth Secretary-General, and the London High Commissioners of the member states.

Debate in the House of Lords

Speaking in a debate initiated by Lord Greenwood in the House of Lords (*Hansard, HL*, cols 392-462), Lord Goronwy-Roberts, Minister of State at the Foreign and Commonwealth Office, said that Britain's 'commitment to the Commonwealth remains wholehearted and as strong as ever. We value our membership most highly.' This did not conflict with Britain's commitments to other regional and international bodies to which it belonged. Britain's commitment to the Commonwealth, the Minister noted, had helped 'to create a more outward looking attitude within the European Economic Community' and he hoped that the two communities would 'grow ever closer together, because the bonds within the Commonwealth are also the bonds which ultimately may well link it with the community of Western democratic nations in Europe'.

Lord Goronwy-Roberts drew attention to the fact that the Commonwealth was a means of promoting understanding, thereby leading to concrete examples of practical co-operation such as the discussion of world political and economic trends at the heads of Government meetings. (The next heads of Government meeting is in Lusaka in August.) Other examples included co-operation in promoting industrialisation in Commonwealth developing countries (see below). The minister said that much of the most practical work in preparing for a better international economic order owed a great deal to the Commonwealth, and, in particular, pointed to the contribution made by the heads of Government meeting in Kingston in 1975 (see pp 184-91, 1975). In addition there was very effective co-operation in education, finance, health, law, food production and rural development, youth matters and technical assistance.

Lord Goronwy-Roberts paid tribute to the work of many organisations including the Commonwealth Secretariat, the Commonwealth Institute (which fosters knowledge about the Commonwealth by information and education)[1] and the Commonwealth Foundation (which furthers professional links).

Earl Ferrers, joint Deputy Leader of the Opposition in the House of Lords, also spoke of the Commonwealth's 'stabilising influence' in international affairs, describing it as 'a force of stability, maturity and collective judgment in a turbulent world'. Pointing to the increasing tendency of states to group together to pursue common purposes, and to the danger facing such groupings or organisations of becoming too inward-looking, he suggested that Commonwealth countries, through their membership of 'a harmonious extract of the nations, the creeds, and the races which cover the world' could bring to such organisations to which they belonged 'a maturity, and indeed a serenity, of judgment . . . which will enable them to become less introspective and more outgiving for the benefit of each other and of the world'. In this context he said that if 'Britain, by virtue of her Commonwealth association . . . can import into the [European] Community a realisation of the interdependence, and the dependence, of other countries . . . on the actions of the Community and of Europe, that will help Europe to be, as it must be determined to be, outward-looking, not inward-looking'.

[1] For further information on the Institute, see COI short note *The Commonwealth Institute*, SN5573/79.

COMMONWEALTH INDUSTRIAL CO-OPERATION

The Commonwealth's first ministerial meeting on industrial co-operation was held in Bangalore, India, in March. Among topics discussed were an action programme on industrial co-operation, the establishment of an industrial development unit and the formation of a Commonwealth venture capital company. The meeting was held following the decision by heads of Government in 1977 that ministers should consider the final report of the Commonwealth Team of Industrial Specialists which had been asked to identify a programme of action to meet the needs of developing countries to accelerate industrialisation (see p 261, 1977).

Britain's delegation to the meeting was led by Lady Llewelyn-Davies, the Government's Chief Whip in the House of Lords. Lord Goronwy-Roberts, referring to the meeting in his speech on 12 March (see above), said that ministers had found the meeting valuable, not only in discussing the action programme on industrial co-operation but also in exchanging views on their industrial experience and on the potential for promoting joint ventures and other collaborative action.

Communiqué

Taking note of the problems faced by the developing countries in their efforts to industrialise, the conference communiqué stressed the need for collaborative action in many aspects of industrial development. Ministers also agreed to put before the heads of Government a framework for an action programme which would further co-operation between Commonwealth countries and appropriate international and regional agencies, and to contribute to the more rapid industrialisation of less-developed Commonwealth members. The Commonwealth Secretariat, the Commonwealth Fund for Technical Co-operation, and a proposed Industrial Development Unit (see below) would be used to give effect to the programme which would cost about £5 million over an initial three-year period. While recognising that the programme was modest in relation to need, ministers anticipated that resources would be enlarged through associated bilateral arrangements made between individual member states.

It was agreed that an Industrial Development Unit should be established within the Commonwealth Fund for Technical Co-operation. Its purpose would be to help solve specific industrial problems and to provide assistance to Commonwealth developing

countries for their industrialisation. In consultation with the Commonwealth Secretariat, the Unit would assist the expansion of training opportunities in the promotion, establishment, management and operation of industrial enterprises and generally help these developing countries to improve their industrial promotion and extension services.

The ministers supported the initiation by the Secretariat of a programme to enable small-scale entrepreneurs from Commonwealth developing countries to undertake visits to other member countries to learn from experience and to improve their skills. They also agreed that the Secretariat should play a more active role by promoting, supplementing and linking bilateral and multilateral programmes of industrial co-operation and thereby assist developing countries to make the best use of them.

The ministers requested the Commonwealth Secretary-General to convene a working group to examine the need for the establishment of a Commonwealth venture capital company and to look into possible alternative arrangements to meet the requirement for a critical minimum equity capital for industrial enterprises in developing member countries.

The conference emphasised the importance of a favourable international environment for the acceleration of industrial development in developing countries. Ministers reiterated the concern expressed by the 1978 Commonwealth Finance Ministers Meeting (see pp 356-8, 1978) on the rising trend in protectionism and its dangers for the world economy. In particular they recognised the need for a reduction of barriers against the export of goods in which developing countries had a comparative advantage, and that industrialisation would be enhanced by a free flow of manufactured goods and agricultural commodities. Although regretting the limited progress being made in resolving these matters, ministers expressed the hope that the action programme would contribute to the creation of a more positive climate for development.

Finally, ministers agreed to meet within three years to undertake a review of the action programme and to authorise the Secretary-General to convene meetings of *ad hoc* groups of experts to advise on the programme's operation.

[For further information see COI pocket booklet *Britain and the Commonwealth,* PB5935/77.]

The Middle East: Egypt-Israel Peace Treaty

A peace treaty between Egypt and Israel was signed in Washington on 26 March by the President of Egypt, Mr Anwar Sadat, and the Prime Minister of Israel, Mr Menachem Begin, and was witnessed by the United States President, Mr Jimmy Carter. The peace treaty builds on the agreements signed last year at Camp David (see pp 352-5, 1978), and follows the visit paid by Mr Carter to Egypt and Israel from 8 to 13 March. Britain has welcomed the signing of the peace treaty but regards it as essential to move on to a comprehensive settlement that will engage the other Arab states and provide the Palestinians with a secure future.

The Peace Treaty

The peace treaty is accompanied by three annexes, a series of agreed minutes, various letters from the leaders covering different aspects of the negotiations and an appendix to the first annex concerning arrangements for the Israeli withdrawal from the Sinai. The preamble to the treaty affirms the belief that a peace between Egypt and Israel 'is an important step in the search for comprehensive peace in the area and for the attainment of the settlement of the Arab-Israeli conflict in all its aspects', and invites the other Arab parties to the dispute to join in the peace process based on the principles of the Camp David agreement on peace in the Middle East.

In the treaty the parties agree to end the state of war between them, and that Israel will withdraw all its armed forces and civilians from the Sinai in two phases, an interim partial withdrawal to be completed within nine months of ratification of the treaty and a final and complete withdrawal within three years of ratification. Upon completion of the interim withdrawal, the parties will establish normal and friendly relations, including recognition and respect of each other's sovereignty, territorial integrity and political independence. Normal relations will include full recognition, diplomatic, economic and cultural relations, termination of economic boycotts and discriminatory barriers to the free movement of people and goods, and will guarantee the mutual enjoyment by citizens of the due process of law.

In order to provide maximum security for both parties, agreed security arrangements will be established, including limited force zones in Egyptian and Israeli territory and United Nations forces and observers. There will be a joint commission to facilitate the implementation of the treaty. The right of free passage through the Suez Canal will be granted to ships of Israel and cargoes destined for or coming from Israel, and the Strait of Tiran and the Gulf of Aqaba will be considered by the parties as international waterways open to all nations for unimpeded and non-suspendable freedom of navigation and overflight.

In a joint letter to President Carter, President Sadat and Prime Minister Begin state that, in order to achieve a comprehensive peace settlement in accordance with the Camp David agreements, Egypt and Israel will proceed with the implementation of those provisions relating to the West Bank and the Gaza Strip. Negotiations will start within a month of the ratification of the peace treaty, and Jordan is invited to join them. Their objective will be 'the establishment of the self-governing authority in the West Bank and Gaza in order to provide full autonomy to the inhabitants'. The parties set for themselves the goal of completing the negotiations within one year 'so that elections will be held as expeditiously as possible after agreement has been reached'. The self-governing authority referred to in the relevant Camp David agreement will be in-

augurated within one month after it has been elected, at which time the transitional period of five years will begin. The letter ends by confirming that the United States Government will participate fully in all stages of negotiations.

Reactions to the Treaty

The signing of the treaty between Egypt and Israel has met with much hostility in the Arab world. A meeting of foreign and economic ministers from a large number of Arab countries was held in Baghdad from 27 to 31 March, and a number of decisions were agreed with the aim of ostracising Egypt diplomatically and economically from the rest of the Arab world. Among the decisions reached were the suspension of Egypt's membership of the Arab League, removal of the League's headquarters from Cairo, the withdrawal of Arab ambassadors from Cairo and a wide range of measures designed to weaken the Egyptian economy.

Britain's Views

The Prime Minister, Mr James Callaghan, welcomed the peace treaty in the House of Commons on 27 March (*Hansard*, col 258). For the first time in 30 years, he said, there now seemed to be peace between Egypt and Israel and this was 'something at which the whole world should rejoice'. However, he added that he had made it clear to President Carter and to Prime Minister Begin and President Sadat that Britain regarded it 'as essential that we should move on from here to a comprehensive peace settlement that will engage the other Arab states and give the Arabs in Palestine – the Palestinians – the opportunity of a secure future for themselves, as well as securing peace for Israel'.

Previously in the House of Commons (*Hansard*, 21.3.79, cols 1473-5), the Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, had also welcomed the agreement between Egypt and Israel, while stating that Britain remained fully committed to a comprehensive peace settlement on the lines of the European Community declaration of June 1977 (see p 266, 1977). On the Palestinian issue, he said there had to be 'a Palestinian homeland if there is to be a comprehensive peace', and that 'full autonomy on the West Bank and Gaza' was the first step towards such a settlement. The negotiations which were to take place on this issue would be 'the crucial test', and he hoped that before then the Israeli Government would decide not to have any new settlements on the West Bank.

Shorter Notes

MALTA: WITHDRAWAL OF BRITISH FORCES

The last British forces withdrew from Malta on 31 March with the expiry of the 1972 Military Facilities Agreement between Britain and Malta (see pp 145-6, 1972). Malta, a member of the Commonwealth, has been independent since 1964.

Britain's connection with Malta goes back to 1802 and was particularly important during the second world war. In recognition of Malta's role at this time, it was awarded the George Cross. A grant of £30 million was made for postwar reconstruction and related schemes. In all, official British aid to Malta since 1943 has totalled nearly £150 million, this having been directed mainly towards economic diversification, the creation of employment opportunities and possibilities for earning foreign exchange. Projects supported include the modernisation of Valletta harbour, the development of a commercial dockyard, the improvement of basic public utilities (telephones, water and electricity), the construction of the Marsa industrial estate and the promotion of tourism. Substantial funds have been made available also for the improvement of housing, education and health facilities.

In addition, valuable military and ancillary assets have been handed over to the Maltese Government as a gift during the military withdrawal. These include the naval hospitals at Mtarfa and Luqa, three schools and several major fuel depots. The Maltese Government has also acquired the infrastructure at the RAF airport at Luqa, with its air traffic control and airport services, along with telephone exchanges, fire stations and other institutions.

The continuing economic relationship between Britain and Malta includes trade links (Maltese exports to Britain totalled £23 million in 1977), the European Community's trade and aid association agreement with Malta, the revenue derived from the substantial number of British tourists who visit the country each year, and, under technical co-operation arrangements, the provision of funds for the supply of expertise not available locally and the training of local personnel.

NORTH/SOUTH DIALOGUE – AGREEMENT ON A COMMON FUND

General agreement has been reached by developing and industrial countries on the setting up of a common fund to help maintain price stability in raw materials. At the Common Fund Negotiating Conference, meeting in Geneva, agreement was reached on 19 March on a document setting out the main elements of the structure and financial resources of the fund. An interim committee is to be convened to resolve detailed issues leading into work on the drafting of articles of agreement.

The fund will have an initial capital of $750 million to which Britain's first contribution will be $20 million. It will be established in two parts. Reserve stock operations within individual commodity arrangements, whereby commodity reserve managers will buy a commodity when world prices are falling and sell when they rise (the so-called 'First Window'), will account for $400 million; $350 million will be used for a series of aid measures (the 'Second Window') including export promotion and diversification of the exports of developing countries.

Answering a parliamentary question on 20 March

(*Hansard*, written answers, col 541), the Secretary of State for Trade, Mr John Smith, said that the financial resources had been set at levels which would ensure that the fund could make a major contribution to the stabilisation of commodity prices and to other commodity-related measures. The fund would do this without undermining the responsibilities of producer and consumer governments and without intervening directly in commodity markets. Mr Smith said that it was to be particularly welcomed that the task of negotiating a common fund, set by the fourth United Nations Conference on Trade and Development in Nairobi in May 1976 (see pp 285-8, 1976) should have been largely concluded before the opening of the fifth conference in Manila in May 1979.

Overseas Trade in 1978

Britain's exports in 1978 were valued at £35,432 million and imports at £36,607 million (balance of payments basis[1]). This resulted in a deficit on visible trade of £1,175 million, compared with one of £1,744 million in 1977. Between 1977 and 1978 exports increased in volume by 3·5 per cent and imports by 5 per cent. The European Community is Britain's most important market and source of supply. Manufactures accounted for 80 per cent of exports while food, beverages and tobacco and industrial materials accounted for 51 per cent of imports. The deficit on trade in oil fell from £2,791 million in 1977 to £2,015 million in 1978.

An analysis of Britain's overseas trade in 1978, together with data going back to 1970, appeared in *Trade and Industry* of 9 March. The issue for 16 March continued the series back to 1963.

TOTAL TRADE AND OIL

The reduction in the deficit on visible trade of £569 million between 1977 and 1978 was more than accounted for by the fall of £776 million in the deficit on trade in oil. Total exports rose in value by 10 per cent and total imports by 8 per cent. The total volume of exports rose by 3·5 per cent in 1978 with a 2 per cent increase in manufactured exports. Although the total volume of imports increased by 5 per cent the rise for manufactured imports was 15 per cent, reflecting in part the expansion of the domestic economy.

The value of exports of oil rose from £1,979 million in 1977 to £2,235 million in 1978, a rise of 13 per cent, while the value of imports fell from £4,770 million to £4,250 million, a fall of 11 per cent. Between 1977 and 1978 exports of crude oil rose in value by 36 per cent, to £1,240 million. Imports of crude oil fell in value by 11 per cent, to £3,285 million; tonnage fell by 4 per cent and price by 7·5 per cent, reflecting the appreciation of sterling against the US dollar.

In 1978 prices of exports and imports rose by less than they had in recent years; exports increased in price by 9 per cent and imports by 3·5 per cent, leading to an improvement of 5 per cent in the terms of trade.

[1]For imports, this excludes the cost of insurance and freight, included on an overseas trade statistics basis. The two bases also differ by certain other valuation and coverage adjustments.

Details of Britain's overseas trade from 1970 to 1978, including total values as well as indices for unit value and volume, are shown in Table 1.

ANALYSIS BY AREA

Analysis of Britain's overseas trade by area from 1976 to 1978, on an overseas trade statistics basis, is shown in Table 2. The value of exports in 1978 was £37,363 million, 12 per cent higher than in 1977. Imports were valued at £40,969 million, 11 per cent higher than in 1977.

Exports

European Community

Between 1977 and 1978 British exports to the European Community rose in value by 16 per cent, to £14,103 million. Exports to the Irish Republic and the Federal Republic of Germany rose by 24 per cent and 23 per cent, respectively. Exports to the Irish Republic of manufactured goods, food and live animals and fuels all rose while there was an increase in exports to the Federal Republic of dairy produce and eggs. There was a rise of 19 per cent in exports to Belgium and Luxembourg, with increases in all the major commodities; deliveries of food and live animals rose by 43 per cent, mainly due to a fourfold increase in dairy produce and eggs. Deliveries to France and Italy rose by 17 per cent and 14 per cent, respectively, with increases in most commodities. Despite a fall in deliveries of basic materials, fuels and machinery and transport equipment, exports to the Netherlands increased by 4 per cent. Shipments to Denmark rose by 5 per cent, with the fall in manufactures being offset by increases in other goods.

Rest of Western Europe

In 1978 exports to the rest of Western Europe rose by 2 per cent, to £5,710 million. Largely due to an increase in exports of precious stones, deliveries to Switzerland increased by 33 per cent. Exports to Spain were unchanged in value as lower shipments of metals and food and live animals were compensated for by increases in other commodities. Shipments to Norway[1] fell by 16 per cent; substantial deliveries of oil rigs in 1977 were only

[1]From January 1978 in the overseas trade statistics the foreign part of the Continental Shelf, previously included in the rest of Western Europe, was re-allocated to the appropriate parent country. It was not possible to compile figures on the new basis for earlier periods. Any discontinuity regarding areas is likely to be comparatively small but there is a greater effect on individual countries, particularly Norway.

Table 1

Britain's Overseas Trade 1970-78

Seasonally adjusted except unit values. Balance of payments basis

	Exports f.o.b.* £ million	Imports f.o.b.* £ million	Visible balance £ million	Unit value indices (1975=100) (not seasonally adjusted) Exports	Imports	Terms of trade†	Volume indices (1975=100) Exports	Imports	Relative volume index‡
1970	8,121	8,163	− 42	50·9	42·2	120·6	80·3	82·6	97·2
1971	9,060	8,799	+ 261	53·8	44·2	121·7	85·5	85·8	99·7
1972	9,450	10,172	− 722	56·9	46·7	121·8	85·2	95·3	89·4
1973	12,115	14,498	−2,383	64·1	59·6	107·6	97·7	108·8	89·8
1974	16,538	21,773	−5,235	81·7	87·4	93·5	104·2	109·7	95·0
1975	19,463	22,699	−3,236	100·0	100·0	100·0	100·0	100·0	100·0
1976	25,411	29,012	−3,601	120·7	121·8	99·1	109·7	105·6	103·9
1977	32,148	33,892	−1,744	142·5	141·3	100·8	118·9	107·2	110·9
1978	35,432	36,607	−1,175	155·1	146·4	105·9	122·9	112·6	109·1

* Free on board; values include all costs accruing up to the time of placing the goods on board the exporting vessel or aircraft.
† Export unit value index as a percentage of import unit value index.
‡ Export volume index as a percentage of import volume index.

Table 2

Britain's Overseas Trade by Area 1976-78

Seasonally adjusted. Overseas trade statistics basis

£ million

	1976	1977	1978
EXPORTS f.o.b.			
Developed countries	18,714	23,688	26,392
of which *EEC*	*9,305*	*12,152*	*14,103*
Rest of Western Europe	*4,314*	*5,606*	*5,710*
North America	*3,121*	*3,821*	*4,245*
*Other**	*1,975*	*2,110*	*2,334*
Developing countries	6,662	8,636	9,800
of which *Oil-exporting countries†*	*3,229*	*4,374*	*4,767*
Other	*3,433*	*4,261*	*5,033*
Centrally planned economies ‡	731	911	1,070
Total	**26,162**	**33,331**	**37,363**
IMPORTS c.i.f. §			
Developed countries	22,579	27,393	31,752
of which *EEC*	*11,526*	*14,171*	*16,584*
Rest of Western Europe	*4,647*	*5,576*	*6,991*
North America	*4,267*	*4,948*	*5,341*
*Other**	*2,139*	*2,698*	*2,834*
Developing countries	7,864	8,162	7,855
of which *Oil-exporting countries†*	*4,296*	*3,800*	*3,470*
Other	*3,568*	*4,362*	*4,385*
Centrally planned economies ‡	1,109	1,371	1,300
Total	**31,584**	**36,978**	**40,969**

* Australia, New Zealand, South Africa, Japan.
† Algeria, Bahrain, Brunei, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, United Arab Emirates, Venezuela.
‡ Soviet Union, Poland, German Democratic Republic, Hungary, Czechoslovakia, Albania, Bulgaria, Romania, People's Republic of China, North Korea, Vietnam, Outer Mongolia.
§ Cost of insurance and freight; values include the cost of insurance and freight from the country of consignment.

partly compensated for by increased deliveries of petroleum and petroleum products.

North America

Exports to North America increased in value by 11 per cent, to £4,245 million. Shipments to the United States rose by 12 per cent; increased deliveries of machinery, particularly power generating machinery, offset lower deliveries of fuels. Exports to Canada rose by 6 per cent, with increased shipments of specialised machinery and vehicles.

Other Developed Countries

The value of exports to the other developed countries rose by 11 per cent, to £2,334 million. Exports rose to each country apart from New Zealand, where the fall of 8 per cent was due mainly to lower deliveries of machinery and transport equipment. Exports to Japan increased by 15 per cent, with deliveries of whisky rising by 21 per cent. Shipments to South Africa and Australia rose by 14 per cent and 12 per cent, respectively, partly due to higher deliveries of vehicles.

Developing Countries

Within the developing countries, exports to the oil-exporting countries rose by 9 per cent, to £4,767 million. The highest gain, of 31 per cent, was to Saudi Arabia, with increases in all major commodities. Exports to Nigeria increased by 5 per cent, partly due to higher deliveries of medical and pharmaceutical products and crude oil.

There was an increase of 25 per cent in exports to India, most of the rise being in manufactures, especially precious stones and metals. The fall of 12 per cent in deliveries to Israel was mainly a reflection of lower shipments of precious stones and transport equipment.

Centrally Planned Economies

Exports to the centrally planned economies rose by 18 per cent in 1978, to £1,070 million. Deliveries to the Soviet Union increased by 22 per cent, with higher deliveries of metals and power generating and specialised machinery. Increased shipments of live animals and food, especially barley, were mainly responsible for the increase of 33 per cent in shipments to Poland.

Imports

European Community

Between 1977 and 1978 imports from the European Community rose by 17 per cent, to £16,584 million. Almost three-quarters of imports from this area are manufactures and the Community now supplies about half British imports of such goods. Imports from the Irish Republic rose by 24 per cent, with increased deliveries of cattle, meat, dairy products, petroleum products and organic chemicals. Deliveries from the Federal Republic of Germany rose by 25 cent, with increased arrivals of organic chemicals, textiles, machinery and motor cars; the Federal Republic overtook the United States as Britain's leading supplier. Increased deliveries of 25 per cent from Italy reflected higher shipments of textiles, iron and steel, motor cars, clothing and footwear. Imports from France rose by 19 per cent, with higher deliveries of chemicals, maize, textiles and motor cars. An increase in deliveries of bacon and butter outweighed a fall in arrivals of wheat, to bring about a rise of 18 per cent in imports from Denmark. Imports from Belgium and Luxembourg rose by 9 per cent, with higher deliveries of chemicals, textiles, precious stones, motor cars and machinery offsetting lower deliveries of petroleum products. Imports from the Netherlands were unchanged; shipments of meat and machinery rose while those of dairy produce, cereals, soya beans and petroleum products fell.

Rest of Western Europe

Imports from the rest of Western Europe increased by 25 per cent, to £6,991 million. The growth of 62 per cent in imports from Switzerland was mainly due to increased deliveries of precious stones. Some of the large rise in imports from Norway reflected arrivals of oil and gas from fields in the North Sea (see also footnote on p 94). Imports from Finland rose by 7 per cent, partly due to higher deliveries of timber and paper and paperboard. Increased arrivals of motor cars and lorries, only partly offset by lower deliveries of pulp and waste paper and iron ore, resulted in a rise of 6 per cent in imports from Sweden.

North America

Imports from North America rose by 8 per cent, to reach £5,341 million. A quadrupling in imports of tobacco contributed to an increase of 14 per cent in imports from the United States. Deliveries from Canada fell by 10 per cent, higher shipments of wheat and inorganic chemicals outweighing lower arrivals of timber, nickel and pulp and waste paper.

Other Developed Countries

There was an increase of 5 per cent, to £2,834 million, in imports from other developed countries. The greatest increase, 21 per cent, was from Japan, largely the result of higher shipments of motor cars. Imports from New Zealand, mainly meat and dairy products, rose by 11 per cent. A reduction in arrivals of precious stones was the main cause of the fall of 12 per cent in deliveries from South Africa. Shipments from Australia fell by 4 per cent, with higher deliveries of meat not enough to offset lower imports of barley.

Developing Countries

Imports from the developing countries fell by 4 per cent, to £7,855 million. Within this total, arrivals from the oil-exporting countries fell by 9 per cent. Imports from the Middle East and North Africa, which includes many of the oil-exporting countries, fell by the same percentage. Among these countries, imports from Iran and Saudi Arabia fell by 32 per cent and 23 per cent, respectively, reflecting a decline in the quantity of crude oil shipped. On the other hand, an increase in crude oil from Kuwait contributed to a growth of 12 per cent in imports from that country. Shipments from Nigeria rose by 20 per cent, reflecting increased deliveries of cocoa beans and crude oil. Imports from Latin America increased by 1 per cent.

Centrally Planned Economies

Imports from the centrally planned economies fell by 5 per cent, to £1,300 million. Arrivals from the Soviet Union fell by 13 per cent.

ANALYSIS BY COMMODITY

Analysis of Britain's overseas trade by commodity from 1976 to 1978, on an overseas trade statistics basis, is given in Table 3.

Exports

Between 1977 and 1978 the value of exports of manufactures rose by 11 per cent, to reach £29,984 million; most of the increase was attributable to higher prices. Volume increased by 2 per cent, compared with increases of 9 per cent and 8 per cent in 1976 and 1977, respectively. These figures partly reflect Britain's competitive position and the strength of world trade. Exports of machinery rose by 11 per cent in value but fell by 1 per cent in volume. Within this category increases in value ranged from 4 per cent for telecommunications equipment to 21 per cent for office machinery. There was an increase of 7 per cent, in both value and volume, in deliveries of road vehicles. Exports of chemicals rose by 10 per cent in both value and volume. Medicinal and pharmaceutical products showed the largest increase in value (18 per cent) and plastics the smallest (5 per cent). Exports of textiles recovered a little in value towards the end of 1978 but their rate of growth for the whole year was 4 per cent. Deliveries of metals and miscellaneous metal manufactures grew in value by 8 per cent, with performance varying within the group. Exports of precious stones grew by 27 per cent in value and contributed to the rise of 17 per cent in the value of exports of

Table 3

Britain's Overseas Trade by Commodity 1976-78

Seasonally adjusted. Overseas trade statistics basis

	1976 £ million	1977 £ million	1978 £ million	Percentage change 1978-77
EXPORTS f.o.b.				
Food, beverages and tobacco	1,692	2,216	2,912	+31
Basic materials	779	954	1,008	+ 6
Fuels	1,265	2,092	2,375	+14
Manufactures*	21,572	27,113	29,984	+11
Machinery and transport equipment*	10,383	12,688	13,762	+ 8
Machinery	6,994	8,332	9,223	+11
Road vehicles	2,377	2,872	3,070	+ 7
Other transport equipment* †	1,012	1,484	1,470	− 1
Chemicals	3,007	3,817	4,201	+10
Metals	2,362	2,877	3,114	+ 8
Textiles	972	1,193	1,238	+ 4
Other manufactures	4,849	6,537	7,669	+17
Miscellaneous	854	956	1,083	+13
Total	**26,162**	**33,331**	**37,363**	**+12**
IMPORTS c.i.f.				
Food, beverages and tobacco	4,983	5,937	6,142	+ 3
Fuels	5,669	5,255	4,831	− 8
Industrial materials	11,245	13,484	14,931	+11
Basic materials	3,301	3,670	3,422	− 7
Chemicals	1,925	2,361	2,759	+17
Other semi-manufactures	6,019	7,453	8,750	+17
Finished manufactures*	9,225	11,797	14,501	+23
Machinery and transport equipment*	6,755	8,783	10,681	+22
Machinery	4,305	5,295	6,338	+20
Road vehicles	1,432	2,134	2,795	+31
Other transport equipment* †	1,019	1,355	1,548	+14
Other finished manufactures	2,470	3,015	3,820	+27
Miscellaneous	462	505	564	+12
Total	**31,584**	**36,978**	**40,969**	**+11**

* Includes North Sea installations.

† Not seasonally adjusted.

other manufactures. Deliveries of clothing and footwear and professional and scientific instruments rose in value by 10 per cent and 19 per cent, respectively.

In 1978 non-manufactured exports increased in value by 31 per cent, nearly three times the rate of growth for manufactures; volume rose by 21 per cent. Deliveries of food and live animals rose in value by 29 per cent and beverages and tobacco by 36 per cent. Basic materials increased by 6 per cent in both value and volume. Exports of fuels rose in value by 14 per cent, much less than the increase of 65 per cent in 1977; shipments to Europe rose but those to North America fell.

Imports

Imports of food, beverages and tobacco rose by 3 per cent in value in 1978, to reach £6,142 million; this was mainly the result of higher prices. Arrivals of food and live animals fell by 1 per cent in value but imports of meat rose in value by 17 per cent, reflecting roughly equal rises in volume and price. Shipments of dairy produce increased in value by 11 per cent, with higher prices offsetting a fall in volume. The good British harvest led to a fall in the volume of imports of cereals and animal feedingstuffs; the value of arrivals fell by 14 per cent. Imports of fruit and vegetables fell in value by 6 per cent. Higher prices led to an increase of 18 per cent in the value of imported beverages while a greater volume of deliveries resulted in a rise of 77 per cent in the value of imports of tobacco. Imports of fuel were £4,831 million, 8 per cent lower in value than in 1977. The fall in arrivals of petroleum and petroleum products more than offset the threefold growth in imports of natural gas, particularly from the Norwegian sector of the North Sea (see footnote on p 94).

Imports of industrial materials, at £14,931 million, accounted for over one-third of imports. During 1978 they increased in value by 11 per cent, with volume increasing by a similar amount; almost all the growth was in chemicals and other semi-manufactures, both of which rose in value by 17 per cent. Chemical imports rose in volume by 20 per cent and other semi-manufactures by 11 per cent. The major increases in value were in arrivals of inorganic chemicals (31 per cent), textiles (29 per cent) and wood manufactures (23 per cent). Other increases in terms of value were in arrivals of iron and steel (7 per cent), paper and paperboard (9 per cent) and non-ferrous metals (1 per cent). In contrast, apart from textile fibres, there were falls in each of the major components of basic materials, usually as a result of lower prices.

Imports of finished manufactures amounted to £14,501 million, over one-third of total imports. This represented a growth in value of 23 per cent and in volume of 13 per cent since 1977. Imports of machinery increased in value by 20 per cent; within this category arrivals of metal-working machinery rose in value by 43 per cent while the other main types rose by around 15-25 per cent. Imports of motor vehicles increased in value by 31 per cent but in volume by only 3 per cent. Other finished manufactures rose in value by 27 per cent; the increase for clothing and footwear was 20 per cent and for instruments 30 per cent, in both cases because of increases in volume.

Balance of Payments in 1978

The current account of the balance of payments is estimated to have been in surplus by £254 million in 1978, compared with a surplus of £298 million in 1977. The deficit on visible trade was reduced from £1,744 million in 1977 to £1,175 million in 1978, this being more than accounted for by the improvement in the balance of trade in oil. The surplus on invisibles fell from £2,042 million in 1977 to £1,429 million in 1978. The capital account showed a sharp deterioration, from a surplus of £7,063 million in 1977 to a deficit of £1,380 million in 1978. During 1978 capital flows were erratic, unlike 1977 when a high level of confidence in sterling, coupled with the authorities' policy of limiting its appreciation, had resulted in a capital inflow of unprecedented size. The deficit on current and capital accounts combined in 1978 was £1,126 million, which contrasted sharply with the surplus of £7,361 million in 1977.

Figures for Britain's balance of payments for the fourth quarter and year 1978 were published on 7 March.[1] A summary of the current account is shown in Table 1.

VISIBLE TRADE

Details of Britain's visible trade, including an analysis by area and commodity, are contained in the article on pp 94-8. Information on the trade of the other main manufacturing countries in 1978 is incomplete but information that is available suggests that Britain probably at least maintained its share of the value of exports of manufactured goods achieved in 1977.

INVISIBLES

The surplus on invisibles fell from £2,042 million in 1977 to £1,429 million in 1978; this was attributable to the deterioration in the balance on transfers, largely as a result of increased net contributions to the European Community. The surplus of the private sector and public corporations (excluding transfers) fell from £4,734 million in 1977 to £4,654 million in 1978.

Services

General Government

Credits on government services increased from £240 million in 1977 to £316 million in 1978, mainly because of higher income from overseas defence contracts. Debits rose from £1,022 million to £1,102 million, after the deduction of £74 million received from the Federal Republic of Germany towards the cost of troops.

Sea Transport

Credits fell from £3,466 million in 1977 to £3,238 million in 1978, most of the decline being in tanker shipping as reduced activity by British operators led

[1] Central Statistical Office press notice.

Table 1

Current Account
Seasonally adjusted

£ million

	1976	1977	1978
Visible trade			
Exports (f.o.b.)*	25,411	32,148	35,432
Imports (f.o.b.)*	29,012	33,892	36,607
Visible balance	− 3,601	− 1,744	− 1,175
Invisibles			
Services (net):			
General government	− 757	− 782	− 786
Private sector and public corporations	+ 2,743	+ 3,657	+ 3,650
Total	+ 1,986	+ 2,875	+ 2,864
Interest, profits and dividends (net):			
General government	− 648	− 685	− 452
Private sector and public corporations	+ 1,963	+ 1,077	+ 1,004
Total	+ 1,315	+ 392	+ 552
Transfers (net):			
General government	− 784	− 1,111	− 1,686
Private	− 53	− 114	− 301
Total	− 837	− 1,225	− 1,987
Invisible balance	+ 2,464	+ 2,042	+ 1,429
Current balance	− 1,137	+ 298	+ 254

* Free on board; values include all costs accruing up to the time of placing the goods on board the exporting vessel or aircraft.

to lower earnings from cross-trades. Debits from dry cargo rose by £231 million to £2,196 million, as overseas operators increased their share of the market for carriage of goods to Britain. Debits from tankers fell from £1,480 million to £1,334 million, reflecting the lower imports of oil. The overall effect was to turn the surplus on sea transport of £21 million in 1977 into a deficit of £292 million in 1978.

Civil Aviation

Between 1977 and 1978 credits increased by nearly 20 per cent, from £1,203 million to £1,439 million. This reflected the success of British airlines in winning business in a competitive market, although credits in 1977 were slightly depressed by operational difficulties. Debits increased from £959 million to £1,108 million and grew less than credits, both absolutely and proportionately.

Travel

Receipts grew from £2,178 million in 1977 to £2,302 million in 1978, reflecting a levelling off in the number of visits by overseas residents and in their expenditure. Debits rose by nearly a third, from £1,100 million to £1,445 million, reflecting the increase of 16 per cent in the number of visits abroad and the increase of 13 per cent in expenditure per visit. British residents' expenditure on travel and tourism has, in real terms, now passed the previous peak reached in 1973.

Financial Services

Earnings rose from £1,426 million in 1977 to £1,482 million in 1978.[1] Earnings in most categories increased but those for commodity trading fell by about £35 million.

Other Services

Earnings rose from £2,860 million in 1977 to £3,257 million in 1978. Consulting engineers' earnings increased by £70 million to £375 million; income from royalties rose by £67 million to £497 million, and expenditure in Britain by foreign students was £65 million higher, at £362 million. Debits on other services in 1978 were £1,985 million, little changed from their 1977 level. Payments on royalties increased by £91 million to £421 million, and payments for telecommunications and postal services rose by £23 million to £212 million. As a result of a lower level of exploration drilling, imports of services connected with offshore oil and gas activities fell from £686 million to £581 million.

Interest, Profits and Dividends

In the government sector credits increased from £411 million in 1977 to £766 million in 1978, largely because of earnings on the high level of official reserves. These earnings began to fall in the second half of 1978 as a result of the drawings made on the reserves in the second quarter. Debits rose from £1,096 million to £1,218 million. Payments of interest on overseas holdings of government stocks were responsible for a large part of this increase, a reflection of the high level of holdings after the record sales to overseas residents in 1977. Interest paid on foreign currency debt increased, mainly because of large net borrowing from the European Investment Bank in 1978. The Government also made the first payments of interest on foreign currency bonds issued in 1977 (these replaced certain holdings in sterling of overseas official

[1] Figures for this item are obtained net of overseas payments. As similar earnings in Britain by overseas financial institutions are negligible the item appears as a credit entry only.

bodies) and on bonds issued in New York in April 1978.

Credits of the private sector and public corporations rose from £3,679 million in 1977 to £3,919 million in 1978. Increases in lending and in rates of interest throughout the year resulted in higher earnings of banks on export credit and on other lending in sterling. Net earnings of banks on borrowing and lending in overseas currency rose substantially throughout the year. This occurred in spite of widespread reports that margins between borrowing and lending rates remained small and under pressure; it was partly because lending expanded rapidly and lower net liabilities in the middle of the year curbed the growth of net costs.

There was little change in 1978 in the earnings of British companies (other than oil companies) on their direct investment overseas, in spite of further investment of about £2,000 million in each of the last three years. This probably reflects the sluggishness of industrial production in the industrialised countries and also the rise in the exchange rate for sterling in 1978 (which depressed the value in sterling of earnings in foreign currency). The earnings of British oil companies on their overseas operations fell slightly (profits in 1977 having been largely attributable to stock appreciation following the rise in price brought about by the oil-exporting countries at the beginning of the year). In 1978 British oil companies experienced stock losses as the price of oil fell in terms of sterling. Also, at least in the first half of the year, profits were depressed because of a surplus of oil on world markets and excess capacity in refineries and tanker fleets.

Earnings of foreign companies on their direct investments in Britain rose only marginally in 1978. The profits in Britain of oil companies rose by £67 million although profits from the North Sea increased by £100 million. This was considerably lower than expected, largely because of the failure to reach planned levels of production. The growth in profits due abroad was also depressed by the fall in the sterling price of oil and the increasing provision for petroleum revenue tax. Profits on the 'downstream activities' of foreign oil companies were reduced by competition between petrol retailers and by overcapacity in refining plant. In the fourth quarter of 1978 there were increased profits from the North Sea (because of few production difficulties) and the mainland (because of the generally improved trading conditions in Britain and Europe).

Payments of interest overseas by the private sector and public corporations increased sharply in 1978, particularly on borrowing from banks and other financial institutions overseas. The rise was caused by increased borrowing and higher rates of interest. Interest paid by banks on sterling accounts of overseas holders rose throughout the year, mainly because of increasing rates of interest.

Transfers

Government receipts from transfers, all from the European Community, rose from £292 million in 1977 to £454 million in 1978. Receipts for agricultural support increased by £166 million to £347 million, but those from the Regional Development Fund fell from £60 million to £35 million. Government debits from transfers increased from £1,403 million in 1977 to £2,140 million in 1978. Within this total, gross contributions to the European Community rose from £750 million to £1,367 million and bilateral economic aid to developing countries in the form of grants increased from £290 million to £391 million.

The appreciation of sterling against most other currencies meant that private credits from transfers rose by only £47 million, from £500 million in 1977 to £547 million in 1978. The easing of restrictions on exchange control contributed to the increase in private debits from £614 million to £848 million.

INVESTMENT AND OTHER CAPITAL TRANSACTIONS

There was a net identified outflow of £2,227 million in 1978, compared with a record net identified inflow of £4,602 million in 1977 (see Table 2). This reflects the changes in demand for sterling between the two years. In 1977 sterling was in strong demand and for much of the year the authorities intervened to limit the appreciation in the rate. In 1978 sterling was generally steady and, apart from some support for a period in the second quarter, intervention was small. Overseas residents continued to increase their holdings of sterling in 1978, but by less than £100 million, compared with a rise of nearly £1,500 million in 1977. Lending in sterling to overseas residents by British banks (including export credit) increased from less than £500 million in 1977 to over £800 million in 1978. Net purchases of government stocks by non-residents amounted to nearly £1,000 million in 1977 but in 1978 there were net sales of over £200 million. A large part of these various outflows occurred in the second quarter when sterling was under some pressure as the dollar made a temporary recovery.

Official Long-term Capital

The net outflow of official long-term capital increased from £291 million in 1977 to £348 million in 1978.

Overseas Investment in Britain

Private overseas residents increased their holdings of British government stocks slightly, following the very large addition of nearly £1,000 million made in 1977. There was also some net repayment of borrowing and redemptions of issues by public corporations in 1978.

Net overseas investment in Britain's private sector in 1978 amounted to £2,835 million, compared with £3,096 million in 1977. There was a reduction in the inflow of investment by oil companies, including their investment in the North Sea oil and gas programme. This possibly reflected greater recourse to financing in sterling but may also have signified that the expenditures in the North Sea have levelled off. Other direct investment amounted to nearly £1,250 million, showing little change from 1977, and the proportion financed by unremitted profits remained about two-thirds. Net borrowing from banks and other financial institutions overseas by British companies nearly doubled between 1977 and 1978. There were increases for borrowing for use in Britain as well as for direct and portfolio investment

Table 2

Analysis of Capital Transactions and Official Financing
Not seasonally adjusted

£ million

	1976	1977	1978
Current balance	− 1,137	+ 298	+ 254
Investment and other capital transactions:			
Official long-term capital	− 158	− 291	− 348
Overseas investment in UK public sector	+ 203	+ 2,182	− 81
Overseas investment in UK private sector	+ 2,063	+ 3,096	+ 2,835
UK private investment overseas	− 2,156	− 2,167	− 3,288
Overseas currency borrowing or lending (net) by UK banks:*			
Borrowing to finance UK investment overseas	+ 165	+ 520	+ 865
Other borrowing or lending (net)†	− 271	− 136	− 1,464
Exchange reserves in sterling:‡			
British Government stocks	+ 14	+ 5	− 115
Banking and money market liabilities	− 1,421	− 24	− 4
Other external banking and money market liabilities in sterling	+ 255	+ 1,471	+ 304
Import credit§	+ 165	+ 179	+ 165
Export credit§	− 1,145	− 408	− 655
Other short-term transactions	− 608	+ 175	− 441
Total investment and other capital transactions	− 2,894	+ 4,602	− 2,227
Balancing item	+ 402	+ 2,461	+ 847
Balance for official financing	− 3,629	+ 7,361	− 1,126
Official financing‖			
Net transactions with:			
IMF	+ 1,018	+ 1,113	− 1,016
Other monetary authorities	− 34	0	0
Foreign currency borrowing:			
by HM Government¶	0	+ 871	+ 191
by public sector under exchange cover scheme	+ 1,792	+ 243	− 378
Drawings on (+)/additions to(−) official reserves	+ 853	− 9,588	+ 2,329
Total official financing	+ 3,629	− 7,361	+ 1,126

* Including certain other financial institutions.
† Excluding changes in levels resulting from changes in the valuation of sterling.
‡ Sterling reserves of overseas countries and international organisations, other than the IMF; as reported by banks, etc, in the United Kingdom.
§ Excluding trade credit between 'related' firms; after deducting advance and progress payments to suppliers. Net credit extended by UK merchants on third country trade is included within export credit.
‖ Valued in sterling at current market related rates of exchange.
¶ Drawings on two eurodollar facilities for the British Government to borrow $2,500 million and $1,500 million; also a bond issue of $350 million in New York.

overseas, with a particularly large net inflow in the fourth quarter.

British Private Investment Overseas

British private investment overseas amounted to £3,288 million in 1978, compared with £2,167 million in 1977 (see Table 3). Net direct investment overseas by British companies (excluding oil companies) was just over £1,900 million, an increase of £125 million since 1977. Unremitted profits financed just under two-thirds of this. In 1978 British residents made substantial portfolio investments overseas for the first time since 1972. In the previous five years there was net investment only once, in 1975, when it amounted to only £49 million. The net investment of over £850 million in 1978 was stimulated by the relative attraction of investment in the United States market, brought about by the weakness of the dollar and, in the first half of the year, by the effects of the ending of the 25 per cent surrender rule (see pp 18-19, 1978). Purchases of securities denominated in foreign currencies were largely financed by borrowing foreign currency from banks in Britain and from abroad. There were large net purchases of Irish securities in 1978. In the fourth quarter these were further stimulated by speculation that, in connection with negotiations over the European Monetary System, Britain might impose exchange controls against the Irish Republic so that Irish securities would become eligible for sale with the benefit of the investment currency premium. Oil and miscellaneous investment was, at £507 million, higher than in 1977. Substantial investment in the fourth quarter included the acquisition by BP of the Belgian company Union Carbide.

Overseas Activities of Banks

Net borrowing or lending by British banks and certain other financial institutions (the British euro-currency market) accounted for a net outflow of £599 million in 1978, compared with one of £384 million in 1977. In 1978 an inflow of £865 million to finance overseas investment by British companies

Table 3

Inward and Outward Investment* – Private Sector
Not seasonally adjusted

£ million

	1976	1977	1978
Overseas investment in UK private sector			
Direct			
Unremitted profits†	+ 528	+ 819	+ 852
Other	+ 183	+ 409	+ 393
Investment in UK company securities	+ 259	+ 421	+ 78
Oil and miscellaneous	+ 1,093	+ 1,447	+ 1,512
Total	+ 2,063	+ 3,096	+ 2,835
UK private investment overseas			
Direct			
Unremitted profits†	− 1,453	− 1,285	− 1,258
Other	− 655	− 505	− 657
Portfolio	+ 169	+ 57	− 866
Oil and miscellaneous	− 217	− 434	− 507
Total	− 2,156	− 2,167	− 3,288

* Net of disinvestment. Assets: increase−/decrease+. Liabilities: increase+/decrease−.
† Excluding unremitted profits of branches.

was more than offset by a net outflow of £1,464 million on other borrowing and lending. A large part of this net outflow occurred in the second quarter when the banks were switching out of sterling and British residents' net deposits increased.

Exchange Reserves in Sterling

Overseas holdings of sterling increased by £185 million in 1978, compared with a rise of £1,452 million in 1977. Official balances (the exchange reserves of other countries held in sterling) fell by £119 million in 1978 but this was outweighed by a rise of £304 million in other balances (other banking and money market liabilities held in sterling). Nearly all the fall in official balances was in the form of net sales by overseas monetary authorities of British government stocks.

Import and Export Credits

Unrelated import credit (see footnote to Table 2) led to an inflow of £165 million in 1978, slightly less than that of £179 million in 1977. Unrelated export credit extended in 1978 (largely denominated in sterling) was £655 million in 1978, compared with £408 million in 1977.

Other Short-term Transactions

Other short-term transactions led to a net outflow of £441 million in 1978, compared with a net inflow of £175 million in 1977. This item includes overseas lending in sterling by British banks (other than for export credit). Net lending in 1978 was some £430 million, compared with net repayments of about £120 million in 1977 (largely because of the restrictions imposed on lending in sterling for third-country trade).

Balancing Item

The balancing item is included in the accounts to bring the sum of all entries to zero; in part it represents differences in timing and valuation between transactions and settlements. In 1978 the balancing item was + £847 million, considerably less than the + £2,461 million in 1977. It is likely that in 1977 the growth of confidence in sterling contributed a substantial positive element to the balancing item. However, the situation changed during 1978 when confidence fluctuated and identified flows of short-term capital were much more erratic. Some of the provisional estimates included in the accounts may be subject to substantial revision as further information becomes available.

OFFICIAL FINANCING

For 1978 as a whole, the magnitude and pattern of official financing was very different from that in 1977, when further borrowing had supplemented the substantial inflows of capital and the reserves had risen by an unprecedented £9,588 million. In 1978 repayments of over £1,000 million were made to the International Monetary Fund ahead of schedule. Partly in order to restructure the schedule for the repayment of external debt, many repayments of borrowing under the exchange cover scheme were made which would otherwise have matured in the years 1979-84; repayments exceeded new borrowing by £378 million. The bond issue for $350 million by the British Government on the New York capital market resulted in an inflow of £191 million and is not due for redemption until after 1984.

These various transactions, together with the deficit of £1,126 million on current and capital accounts combined, resulted in a decrease in the official reserves of £2,329 million during 1978. This brought their level to $15,694 million (equal to £7,689 million according to the closing market rate on 29 December 1978), compared with $20,557 million at the end of 1977.

EXCHANGE RATES

At the beginning of 1978 the effective exchange rate for sterling was 65·4 (21 December 1971 = 100) and it was equal to $1·9210. Sterling remained steady during January and February but from mid-March to mid-May it came under selling pressure, at times heavy, as some of the inflows of the second half of 1977 were reversed. The rate received substantial support during this period. For the rest of the year the effective rate was relatively steady, moving between 61·0 and 64·0, but tending to rise during the fourth quarter as the dollar weakened. The average for the effective rate in 1978 was 63·0.

Micro-electronics

Plans to help schools and colleges make the best use of the opportunities offered by the development of micro-electronics technology have been announced by the Government, together with new measures in the micro-electronics awareness programme (see pp 263 and 435, 1978).

SCHOOLS AND COLLEGES

On 6 March the Department of Education and Science issued a consultative paper[1] outlining a five-year development programme, costing an estimated total of more than £12 million, to help colleges and schools to become fully aware of micro-electronics and to make the best use of the opportunities it offers. The programme described in the paper applies to England, Wales and Northern Ireland; separate arrangements are being made for Scotland. The paper makes the following suggestions for activities within the programme: the funding of curriculum development projects aimed at promoting familiarity with the applications of micro-electronics; the development of initial and in-service training courses for teachers, including, where appropriate, direct funding of in-service courses; further assessment of the scope for computer-assisted learning, and the development of computer studies in schools; and the assessment of the suitability of available equipment for use in schools and colleges, and the funding of the introduction of new equipment.

The aim of the programme will be to provide a spring-board for wider developments throughout the school and further education system, by exploiting existing skills and initiatives. The success of the programme, the paper says, will depend on the readiness of local education authorities, schools and colleges to assist with curriculum development, to try out new equipment, and, wherever possible, to commit resources of their own alongside those provided by the programme.

[1] *Micro-electronics in Education: A Development Programme for Schools and Colleges.* Obtainable from the Department of Education and Science, Elizabeth House, York Road, London SE1 7PH.

The paper suggests that a central agency will be required to co-ordinate the programme and ensure that it provides value for money. The education departments have decided to set up a management committee with a small staff to control the programme, while the Council for Educational Technology[1] is being invited to provide administrative services for the programme.

A number of other possible measures to help the education service respond to developments in micro-electronics are still being considered.

AWARENESS PROGRAMME

On 15 March the Minister of State for Industry, Mr Alan Williams, announced at a press conference four developments in the micro-electronics awareness programme. The first is a programme of 'workshops' aimed at top decision-makers from the top 1,000 companies in Britain. These briefings, which are expected to reach some 3,000 managers between May and July 1979, are being kept essentially non-technical. They will concentrate on the commercial and industrial implications, spell out the practical steps necessary to apply the new techniques and explain fully the forms of government assistance available. They will be organised on a regional basis. The Department of Industry will also be co-operating with a wide variety of professional organisations and with conference and seminar organisers, and will provide access to a 'bank' of visual aids, booklets, leaflets and film material as well as guidance on how the technology can be explained.

Secondly, the Trades Union Congress (TUC) will be launching its own programme with a consultative conference in May. The conference, at which the Department of Industry will support an exhibition, will receive firm proposals for informing trade unionists about the implications of micro-processor technology for British industry, including service industries, and will consider programmes of education and training for union officers and representatives.

Thirdly, the Government has agreed with the TUC and the Confederation of British Industry that there should be joint missions on a pilot basis to look at major developments overseas, in which employers and trade unionists will be invited to participate.

Fourthly, a clearing house (the MAP Information Centre) has been formed in the Department of Industry to answer all inquiries about the Micro-Processor Application Project (see p 263, 1978). The centre will seek to build up a comprehensive series of technical booklets and a file of case histories, which will help to deal with requests for information about specific applications. It will also maintain a calendar of conferences and seminars on micro-electronics applications, supply posters and other material, and co-ordinate inquiries on the MAPCON consultancy scheme (see p 263, 1978).

Mr Williams concluded by pointing out that, with the help of the National Computing Centre, the Government had more than doubled the number of training places for engineers, and, with the help of

[1] Set up in 1973 to act as the central organisation for promoting the application and development of educational technology at all stages of training and education throughout Britain.

the Warren Spring Laboratory, had already approved some 200 feasibility studies, many of which held the promise of new products.

Government Research and Development

Changes introduced as a result of a White Paper in 1972 (see pp 342-4, 1972), with the aim of ensuring a more effective contribution by research and development to the formulation and implementation of the Government's policies, 'appear to have strengthened the Government's research and development machinery', according to a White Paper issued on 7 March.[1] No major changes are to be made in the arrangements, although specific action will be taken on a few points, notably the initiation of a review of the Scientific Civil Service.

Changes in the Research and Development Framework

The main changes provided for in the 1972 White Paper represented a substantial shift within government-financed research and development towards research promoted by government departments in support of their policies and away from research not undertaken with any direct application in view. The most fundamental change was the extension to all the Government's applied research and development of the customer-contractor principle, by which departments as customers define their requirements for research and development to back their policy objectives and commission contractors (such as research councils, higher education establishments, research associations and industry) to carry out the work. Other changes were the strengthening of the scientific capability of departments, through the establishment of Chief Scientist's organisations in departments where they did not exist already and the allocation by departments of members to those research councils in whose work they had a substantial interest; the transfer of part of the funds provided by the Government from three of the five research councils to departments to enable the latter to commission applied research in some areas of the work of these councils; the establishment of an Advisory Board for the Research Councils (ABRC) (see p 382, 1972); and action to improve scientists' managerial skills to enable them to play a greater role in working out departmental needs and in policy formulation. Further changes designed to strengthen the machinery for co-ordinating scientific advice to the Government were announced in 1976 including the establishment of an Advisory Council on Applied Research and Development (see pp 34-5, 1977).

[1] *Review of the Framework for Government Research and Development* (*Cmnd 5046*). Cmnd 7499. HMSO, £1·25. ISBN 0 10 174990 5.

Government Departments and Research Establishments

The White Paper says that, as a result of the establishment or strengthening of central scientific organisations within departments, they are now in a better position to determine the resources to be devoted to research and development as each Chief Scientist's organisation can participate closely in the formulation and monitoring of policies and can help to identify research and development which can usefully be undertaken in support of these activities. In addition, to ensure that resources are effectively used, a Chief Scientist's organisation can help its department by formulating detailed research requirements, selecting the most suitable contractor and co-operating with contractors to obtain the best value for money.

Government research and development expenditure amounted to some £1,700 million in 1977-78, of which £1,087 million represented expenditure by departments on commissioned research and development. The expenditure pattern varies considerably between departments, but for civil departments their own establishments account for the largest share of expenditure followed by industry and the research councils, whereas 73 per cent of the Ministry of Defence's research and development budget (the largest departmental research budget) is devoted to contracts placed with industry.

According to the White Paper, departmental research establishments 'have benefited from the change of mood' since the 1972 White Paper as they have been able to broaden their role by receiving commissions from industry and other departments, and to set up more effective links with higher education establishments in related spheres of activity. One consequence has been their increasing scientific competence, 'leading in turn to the perception of opportunities for new research and development and better advice to their departments'.

Research Councils and Commissioned Research

As the ABRC pointed out in its third report (see pp 70-2), there have been some problems arising from the new departmental commissioning arrangements for the Agricultural Research Council, the Medical Research Council and the Natural Environment Research Council. The White Paper says that too little time has elapsed to permit a firm judgment of their effects, but there is 'a powerful case for maintaining reasonable stability and for allowing working scientists to give of their best without the dislocation and distraction of further organisational change'. However, the Government will continue to keep the new arrangements under review. In addition, departments are now endeavouring to provide for research councils and other contractors an orderly succession of commissions, with financial support planned well in advance and, when changes in commissioning are inevitable, to give reasonable notice to the contractor.

Advisory Board for the Research Councils

The White Paper says that the ABRC has not only helped to secure a substantial shift in the balance of research supported by the research councils, but also

to smooth the transitional difficulties arising from the implementation of the changes following the 1972 White Paper. It has, however, been able to devote only a limited amount of time to the consideration of more general issues, but in future it should be able to devote more of its time to examining general problems of concern to the scientific community and the Government. These will include a review of its methods of determining the allocation of funds between the research councils, in particular, the consideration of a further reduction of the considerable administrative effort involved in this operation.

Higher Education Establishments

As an indirect result of the changes introduced under the 1972 White Paper, research in the universities and other higher education establishments is being more aligned to longer-term national needs. Departments are drawing on the expertise of a greater number of scientists and are placing more commissions with the universities and polytechnics where these have particular skills not found elsewhere.

Government Scientists

The White Paper notes that a number of measures aimed at increasing mobility among scientists, and so involving more people with scientific or professional qualifications in policy or general administration, 'have not yet achieved the results hoped for'. Accordingly, the Government has initiated a 'wide-ranging and radical review of the recruitment, structure and management of the Scientific Civil Service' to ensure that it has the scientific staff of the required quality and experience. There will also be a review on the progress of the interchange of scientists between the Civil Service, research councils, universities and industry.

Shorter Notes

OFFSHORE OIL AND GAS LICENSING

The conditional award of licences for 42 of the 46 blocks offered under the sixth round of offshore petroleum production licensing (see p 300, 1978) was announced by the Secretary of State for Energy, Mr Anthony Wedgwood Benn, in the House of Commons on 26 March (*Hansard,* cols 29-30). Applications for all the 46 blocks were made, with the Department of Energy receiving a total of 55 applications involving 94 companies acting either individually or in groups. The awards are subject to two main conditions: an agreement between the Department of Energy and the respective licensees, including the British National Oil Corporation (BNOC), on an obligatory work programme for the exploration of the blocks to be licensed; and the conclusion by the BNOC and each group of licensees of a joint operating agreement satisfactory to the Secretary of State for Energy. The BNOC will be a majority partner in the licences, although licence interests held by the British Gas Corporation will count towards the majority state share.

Mr Benn said that the award of licences would extend activity on the United Kingdom Continental Shelf into the largely unexplored areas to the north-west of Shetland and in the South-Western Approaches. The main new feature of the round – the opportunity for applicants to make offers over and above the standard terms – had been successful and would allow the BNOC's share of exploration and appraisal costs to be met wholly or partly in over half the blocks.

INTERNATIONAL ENERGY AGENCY

The Government's strong support for the programme agreed by the International Energy Agency (IEA) to deal with the difficult position in the world oil market brought about by shortages in supplies was indicated by the Secretary of State for Energy, Mr Anthony Wedgwood Benn, in the House of Commons on 8 March (*Hansard,* written answers, cols 739-40). Mr Benn said that, at its meeting on 1 and 2 March, the IEA's Governing Board had agreed on a programme providing for 'firm, prompt and co-ordinated action by the participating countries to reduce demand for oil on the world market by the order of 2 million barrels per day, which would correspond to about 5 per cent of IEA consumption'. (At the meeting IEA members agreed that each participating country would take short-term action by promptly applying effective and adequate methods to reduce demand for oil by more efficient use of energy and by utilising existing possibilities for switching away from oil and replacing it, wherever possible, by alternative forms of energy; to maintain and develop indigenous energy production at high levels; to take into account the potential to shift to non-premium grades of crude oil; and to adopt, where necessary, domestic pricing policies which would support the achievement of objectives.) The Government, which, Mr Benn said, strongly endorsed this programme and was particularly pleased that all IEA members were able to support it, would prepare specific measures for Britain's contribution.

Details of the specific measures were given by Mr Benn in the House of Commons on 4 April (*Hansard,* written answers, cols 724-6). They involve an increase in the amount of coal used in electricity generation, so enabling a substantial saving in the amount of oil required for this purpose, and 'a further determined drive to save oil in the public sector'.

THE FINANCING OF SMALL FIRMS

An interim report, *The Financing of Small Firms,*[1] from the Committee to Review the Functioning of Financial Institutions under the chairmanship of Sir Harold Wilson, was published on 15 March. The

[1] Cmnd 7503. HMSO, £1·75. ISBN 0 10 175030 7.

Committee was set up in January 1977 'to enquire into the role and functioning, at home and abroad, of financial institutions in the United Kingdom and their value to the economy; to review in particular the provision of funds for industry and trade; to consider what changes are required in the existing arrangements for the supervision of these institutions, including the possible extension of the public sector, and to make recommendations'. Unlike the Committee's previous reports (see pp 232 and 269, 1978) the interim report is the first to draw any conclusions or make any recommendations. They are the only interim recommendations envisaged by the Committee before the final report, which is expected to be completed towards the end of the year.

The Committee chose small firms for special treatment because of the widespread view in submissions received that deficiencies existed in the arrangements for their financing, whatever the availability of funds to industry and trade as a whole. Furthermore, the Government had specifically asked for views on this subject that could be taken into account in deciding about further action to help small businesses. The report is based not only on a large volume of written and oral evidence but also on a number of special studies commissioned by the Committee (and briefly summarised in appendices 3 and 4 of the report).

The report says that, so far, the Committee has not considered the question of any systematic bias, in the sense of unjustified discrimination, against small firms, but recognises that, compared with large firms, small firms are undoubtedly at a considerable disadvantage in financial markets.

The Committee makes 15 recommendations and says it believes that, if accepted, they would bring some measure of benefit to small firms, encouraging more new firms and enabling more existing firms to grow at a faster rate. Of the three main recommendations, the first is that steps should be taken to promote the creation of a new type of institution, the Small Firm Investment Company (SFIC), by the removal of the present fiscal and other constraints on the spontaneous development of such a medium. This proposal, the report states, is designed to increase the number of intermediaries specialising in investment in companies not listed on the Stock Exchange. The Committee recommends that there should be a specific limited relief of personal taxation for the purchase of SFIC shares. The second main recommendation is that an English Development Agency for Small Firms should be set up with financial powers and objectives similar to those of the Small Business Divisions of the Welsh and Scottish Development Agencies; and the third is that a publicly underwritten loan guarantee scheme, with a limited subsidy element and some part of the risk retained by the banks, should be established on an experimental basis as soon as possible.

In a statement to the House of Commons on 23 March (*Hansard,* written answers, col 797), the Chancellor of the Duchy of Lancaster, Mr Harold Lever, welcomed the report and said that most of the Committee's recommendations were designed to improve the facilities available to small firms from both public and private sources and to improve access to them. He said that the three suggestions for substantial innovations (described above) would require examination. The Government certainly wanted to find new ways of encouraging both private equity investment in small firms, including institutional investment, and improved access to loan finance, especially for firms just starting up or specialising in new technology.

ROAD SAFETY: SEAT BELTS

The Road Traffic (Seat Belts) Bill, which would have provided for the Secretary of State for Transport to make regulations requiring the wearing of seat belts in motor vehicles, received its second reading in the House of Commons on 22 March (*Hansard,* cols 1719-832), following a free vote of MPs by 244 to 147. However, the Bill has now been lost as a result of the dissolution of Parliament (see p 83). Compulsory wearing of seat belts was expected to have resulted in a substantial fall in road accident casualties. Initially it was intended that the requirement would have applied only to types of vehicles and seating positions where the fitting of seat belts was required by law – the front seats of cars (other than three-wheelers) registered since 1 January 1965, light vans registered since 1 April 1967 and three-wheeled vehicles first used since 1 September 1970. Exemptions would have been laid down in regulations and would have been subject to further consultation. A similar Bill was introduced in the House of Commons in 1976 and received its second reading in March 1976 (see pp 121-2, 1976), but failed to complete all the required legislative stages and was not enacted.

TACHOGRAPHS

The Government's acceptance of the decision of the European Court of Justice regarding the use of the tachograph (a device which automatically records a vehicle's speed and distance covered, driving time and stopping periods) in commercial vehicles in Britain was announced by the Secretary of State for Transport, Mr William Rodgers, in the House of Commons on 5 March (*Hansard,* written answers, col 457). Mr Rodgers said that the Government had considered the Court's decision that Britain was in breach of its obligations under the Treaty of Rome for failing to implement the European Community regulation on tachographs (which requires their use in most goods vehicles over 3·5 tonnes gross weight and in buses and coaches not on regular scheduled services), and had 'reluctantly concluded that it must accept the decision'. (The Government had previously believed that the use of tachographs was not necessary in Britain because the aims of the tachograph regulation were already being achieved in other ways as, for example, through the system of log books by which there was effective control over goods vehicle drivers' hours.) Consultations would be started shortly with employers' organisations and trade unions on an appropriate timetable to achieve full implementation of the regulation, and he would also consult the European Commission. Mr Rodgers said that in due course regulations would be laid before the House of Commons for its consideration.

DOCUMENTATION

Government and Administration

The British General Election. COI, Factel No 684.

Open Government. A Green Paper which discusses proposals for greater openness of government and examines existing practices and recent developments. It refers to the experience of other countries, especially in connection with a statutory right of access to official records. Cmnd 7520. HMSO, 50p. ISBN 0 10 175200 8.

Disclosure of Official Information: a Report on Overseas Practice. Civil Service Department. A study of the practice of open government in nine overseas countries commissioned by the Government after the publication of the White Paper on the reform of Section 2 of the Official Secrets Act (see pp 278-9, 1978). HMSO, £4. ISBN 0 11 630415 4.

Civil Service Statistics 1978. HMSO, £2·75. ISBN 0 11 630342 5.

External Affairs and Defence

Treaty of Friendship and Co-operation between Her Majesty The Queen of the United Kingdom of Great Britain and Northern Ireland and His Highness Paduka Seri Baginda Sultan and Yang Di-Pertuan of Brunei with Exchanges of Notes. Cmnd 7496. HMSO, 90p. ISBN 0 10 174960 0.

Arbitration between the United Kingdom . . . and [France] on the Delimitation of the Continental Shelf (see p 122, 1978). Cmnd 7438. HMSO, £3·25. ISBN 0 10 174380 7.

Agreement between . . . the United Kingdom . . . and . . . Thailand for the Promotion of the Investment of Capital and for the Protection of Investments. Cmnd 7478. HMSO, 25p. ISBN 0 10 174780 2.

Exchange of Notes between the Government of the United Kingdom . . . and . . . Turkey concerning a Refinancing Loan. Cmnd 7482. HMSO, 25p. ISBN 0 10 174820 5.

Economic and Scientific Affairs

Royal Mint. One hundred and seventh report of the Deputy Master and Comptroller, 1976-77. A total of 1,512 million coins was struck for 52 different countries, 906 million for Britain and 606 million for overseas countries. A further 310 million coins were struck for overseas countries by private mints under sub-contract to the Royal Mint. HMSO, £3·50. ISBN 0 11 887003 3.

Committee to Review the Functioning of Financial Institutions (Chairman: Sir Harold Wilson).

The Financing of Small Firms. Interim Report of the Committee (see p 105). Cmnd 7503. HMSO, £1·75. ISBN 0 10 175030 7.

Second Stage Evidence:

Volume 1. Panel on Take-Overs and Mergers, the Financial Institutions Directorate of the Commission of the European Communities. HMSO, £1·75. ISBN 0 11 630707 2.

Volume 2. Insurance Company Associations, Lloyd's Committee on Invisible Exports. HMSO £3. ISBN 0 11 630708 0.

Price Commission Report for the period 1 November 1978 to 31 January 1979. The report explains the Commission's views on the returns on capital employed and its considerations in granting interim price increases during investigations. It also examines seasonality in the Commission's monthly index of notified price increases and the recent behaviour of the index. HMSO, £1. ISBN 0 10 226879 7.

A Review of Restrictive Trade Practices Policy. A Consultative Document. The second report of an inter-departmental group of the Departments of Industry, Trade, and Prices and Consumer Protection. The first report of the group dealt with monopolies and mergers (see pp 215-16, 1978). Cmnd 7152. HMSO, £2. ISBN 0 10 175120 6.

Manufacturing and Management. The papers given at a conference in December 1976 at the City University, London, arranged in conjunction with the Department of Industry. Edited by Michael Fores and Ian Glover. HMSO, £3·25. ISBN 0 11 512128 5.

Product Design. Report by K. G. Corfield. Available from the National Economic Development Office, Millbank Tower, London SW1P 4QX. £4. ISBN 0 7292 0298 4.

Materials Handling: an introduction. Department of Industry Committee for Materials Handling. Edited by J. R. Mundy and N. D. Harris. HMSO, £4. ISBN 0 11 511747 4.

Tourism in Britain – the Broad Perspective. A joint review by the British Tourist Authority and the English, Scottish, Wales and Northern Ireland Tourist Boards, intended to help government departments and local authorities in their planning and to help bodies interested in tourism with decisions on investment. Available from the British Tourist Authority, 64 St James's Street, London SW1A 1NF. £1·25. ISBN 0 7095 0002 5.

Energy Conservation: Scope for New Measures and Long-term Strategy. A report prepared for ministers by an inter-departmental group of officials. Department of Energy. Energy Paper Number 33. HMSO, £2. ISBN 0 11 410757 2.

Proposals for Dangerous Substances (Conveyance by Road) Regulations. Health and Safety Commission. HMSO, £2. ISBN 0 11 883234 4.

Hovercraft. COI, SN6041.

Review of the Framework for Government Research and Development (Cmnd 5046) (see pp 104-5). Cmnd 7499. HMSO, £1·25. ISBN 0 10 174990 5.

Social and Cultural Affairs

The Private Security Industry: A Discussion Paper. As a result of public concern about the recent growth of the private security industry in Britain, the Home Office has issued a Green Paper which provides background information about the industry and discusses some of the issues raised by the question of control. HMSO, 80p. ISBN 0 11 340158 2.

Report of the Committee of Enquiry into Mental Handicap Nursing and Care. The report of the committee set up in 1975 under the chairmanship of Mrs Peggy Jay. This recommends a large increase in the number of staff caring for mentally handicapped people in hospitals and local authority homes, together with a new form of training for staff. The aim is to enable mentally handicapped people to enjoy a normal pattern of life within the community; to be treated as individuals, and to receive additional help both from the communities in which they live and from professional services. Cmnd 7468. HMSO, Vol I: £3; Vol II: £4. ISBN 0 10 174680 6.

Women and Shiftwork. Survey of the protective legislation by Alan Marsh. Carried out by the social survey division of the Office of Population Censuses and Surveys on behalf of the Equal Opportunities Commission, this survey provides background information to the Commission's review of legislation affecting women's hours of work and conditions of employment. The survey investigates women's attitudes and intentions to shiftwork and to the legal restrictions placed on their hours of work, as well as the factors influencing their views. HMSO, £5·50. ISBN 0 11 700832 X.

Housing and Social Policies: some Interactions. Report by the Central Policy Review Staff (CPRS). The CPRS look at the impact, at a local level, of housing policies on a number of other services and vice versa. The report identifies a number of key areas where local authorities and other local agencies could usefully review progress and considers whether more could be done. HMSO, £1·50. ISBN 0 11 630809 5.

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